

1 INTERACTIVE SYSTEM AND METHOD FOR SELLING INSURANCE

2

3 Background of the Invention

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5 The present invention relates to an interactive system
6 and method for selling insurance including reinsurance.

7 Insurance is used to redistribute risks. Insurers or
8 risk carriers assume portions of the risks of their
9 customers or insureds in exchange for premiums. Insureds
10 may also be referred to as cedents in that they cede risks
11 to a risk carrier or insurer. Reinsurance is used by
12 insurance companies to redistribute their exposure to other
13 insurers. In a reinsurance agreement, an insurer (often
14 referred to as a primary insurer or ceding company)
15 transfers or cedes some or all of its exposures and premiums
16 to a reinsurer. The reinsurer then agrees to indemnify the
17 ceding company for a predetermined type and amount of losses
18 sustained.

19 It is important to understand that insurers, including
20 primary insurers and reinsurers, are regulated as to the
21 amount of insurance they can write, or risk that they can
22 assume, based on the amount of surplus funds they hold. The
23 capacity of an insurer generally refers to the monetary

1 amount of insurance or risk of loss which the insurer can
2 agree to cover based upon their surplus funds. An insurance
3 company can increase its capacity to allow it to write more
4 policies or to write policies with higher limits by
5 reinsuring a portion of its covered risks.

6 There are two broad types of reinsurance contracts:
7 treaty and facultative. Treaty reinsurance involves an
8 agreement in which the primary insurer agrees in advance to
9 cede certain classes of business or types of insurance to
10 the reinsurer. For example, part of the primary insurer's
11 business may be aviation insurance, through which the
12 primary insurer provides aviation insurance to multiple
13 commercial airliners. Under a treaty reinsurance contract,
14 the reinsurer would agree to reinsure some portion of the
15 risk of all of the primary insurer's aviation insurance
16 contracts. Individual risks are not underwritten or
17 discussed; the reinsurer relies on the primary insurer to
18 accept only risks that fall within acceptable underwriting
19 criteria and reinsures all risks that fall within the
20 reinsurance treaty agreement. Facultative reinsurance, on
21 the other hand, involves separate reinsurance agreements for
22 each risk or policy that is being reinsured.

1 In addition to the broad types of reinsurance
2 contracts, treaty or facultative, there are also various
3 ways in which the parties may share or cede the risks. Two
4 broad classifications of risk sharing arrangements are
5 referred to as Proportional Arrangements or Excess
6 Arrangements.

7 In a proportional agreement, a certain portion of every
8 risk covered by the agreement is ceded. The primary insurer
9 and reinsurer share a portion of all insurance, premiums and
10 losses in the same amount. The primary insurer is paid a
11 commission in exchange for ceding the risk portion and
12 premium to the reinsurer. A proportional agreement may be
13 written on a quota share or surplus share basis.

14 In a quota share agreement, the primary insurer's
15 retention (retained risk) is stated as a percentage of the
16 amount insured. The insurer retains the same percentage of
17 insurance, premium and losses and cedes the rest to the
18 reinsurer, subject to a reinsurance limit. In a surplus
19 share treaty, the primary insurer's retention (retained
20 risk) is stated as a fixed monetary amount of the amount
21 insured. The primary insurer retains a fixed monetary
22 amount of all insurance, premium and losses that fall within
23 the agreement and cedes the rest to the reinsurer. In

1 either case, a commission is typically paid to the insurer
2 in return for the premium ceded.

3 To illustrate the differences between quota share and
4 surplus share, assume that a primary insurer wants to write
5 a policy for a property risk valued at \$1,000,000. In a
6 quota share arrangement with a 25% retention, the primary
7 insurer would retain \$250,000 of the property risk and cede
8 \$750,000 to the reinsurer. However, if the property risk
9 were valued at \$2,000,000 under the same quota share
10 arrangement, the insurer would retain \$500,000 and cede
11 \$1,500,000. In a surplus share treaty, the primary insurer
12 may choose to retain \$250,000 of each property risk insured.
13 The primary insurer thus would retain \$250,000 on both a
14 \$1,000,000 property risk, ceding \$750,000, and on a
15 \$2,000,000 property risk, ceding \$1,750,000.

16 In an excess reinsurance agreement, only losses are
17 ceded to the reinsurer. The primary insurer retains the
18 amount of insurance and premium, and commissions are not
19 normally paid. Three standard types of excess agreements
20 are per risk excess, per occurrence excess, and aggregate
21 (stop loss) excess.

22 In an aggregate excess agreement, the retention is
23 calculated based on all losses over a period of time stated

1 in the agreement. The retention may be stated in a monetary
2 amount, a loss ratio, or some combination of the two.

3 In per risk excess arrangements, losses above a certain
4 monetary amount are ceded to the reinsurer, which is
5 responsible for all losses from any one exposure above this
6 monetary amount up to the reinsurance limit. Per occurrence
7 or per loss excess arrangements are similar to per risk
8 arrangements. However, the retention is stated as an amount
9 incurred per occurrence. An occurrence may be one
10 hurricane, one flood or one accident that results in
11 liability claims.

12 The difference between per risk and per occurrence
13 excess can be illustrated in the following example in which
14 a hurricane damages 100 covered homes in a given area. If
15 the primary insurer ceded the losses on a per risk basis
16 with a \$10,000 retention, it would be responsible for the
17 \$10,000 retention on each of the 100 homes, or \$1,000,000.
18 However, on a per occurrence basis, the primary insurer may
19 have retained \$250,000 per occurrence, in which case the
20 primary insurer would have to pay \$250,000 and the reinsurer
21 would be responsible for the rest of the losses up to the
22 reinsurance limit.

1 Original Loss Warranty ("OLW") protection is a type of
2 per occurrence excess agreement in which the reinsurer pays
3 the reinsurance cover amount only if the total amount of a
4 covered loss exceeds a set amount or trigger point. OLW
5 protection is often utilized in high risk insurance such as
6 aviation, space and energy/marine. In such high risk
7 insurance, the risk is often spread among multiple carriers,
8 each covering a portion of the total risk.

9 The following example is provided to illustrate
10 possible application of OLW protection in a high risk
11 insurance, namely aviation insurance.

12 A primary insurer of International Airline accounts
13 seeks reinsurance for its portfolio of aviation insurance
14 contracts. The primary insurer's portfolio includes a 10%
15 line (i.e. it receives 10% of the premiums and must pay 10%
16 of each claim) on aviation insurance for a first airline
17 which runs for 12 months beginning on January 1, a 5% line
18 on aviation insurance for a second airline, effective 12
19 months beginning on April 1; and numerous other insurance
20 policies with different various percentages of participation
21 and policy periods. The primary insurer's exposure out of
22 these various contracts is very high and the primary insurer
23 seeks reinsurance to reduce its exposure.

1 OLW protection for such a portfolio might be structured
2 such that the reinsurance contract provides for a cover
3 amount of \$3,000,000 if any one of the insureds covered by
4 an aviation insurance policy in the primary insurer's
5 portfolio has a loss which exceeds a trigger point of
6 \$750,000,000 during the period of the reinsurance contract
7 in exchange for a premium of \$800,000. It does not matter
8 which of the primary insurer's insureds suffers the loss,
9 nor the primary insurer's participation in the insurance
10 contract of the insured suffering the loss. If a loss
11 occurs during the reinsurance policy period which exceeds
12 the trigger point, the reinsurer pays the reinsurance cover
13 amount.

14 Historically, reinsurance contracts have been initiated
15 by the primary insurer, or by a broker on behalf of the
16 primary insurer, which approaches a reinsurer and requests
17 coverage of a certain amount of its portfolio. An
18 underwriter for the reinsurer then evaluates performance
19 data for the primary insurer and evaluates the risk
20 associated with the requested reinsurance amount and decides
21 how much coverage or capacity the reinsurer is willing and
22 able to offer and under what financial and legal terms.
23 This offer is then either accepted or declined by the

1 cedent. This process is typically effected by telephone,
2 fax, letter and personal contact and may involve ongoing
3 negotiations as to the financial and legal terms or the
4 amount of capacity offered. These are essentially the same
5 methods used for selling most types of insurance.

6 The historical method of marketing or selling
7 insurance, including reinsurance, limits the ability of the
8 insurer to be proactive in its effort to sell its insurance
9 services and often results in inefficiencies in utilization
10 of the insurer's capacity.

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12 Summary of the Invention

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14 The present invention comprises a system and method for
15 ceding risks from insureds or cedents to a risk carrier or
16 insurer over a computer network. The system and method are
17 particularly well adapted for use in forming reinsurance
18 contracts. The system includes an application server on
19 which an application is installed. The "application"
20 includes an application engine and supporting data and
21 program files. The application interfaces with a database
22 of selected information of selected cedents. The
23 application server is remotely accessible by the cedents

1 through a computer network and in particular through the
2 internet.

3 An initial step of the method involves calculating a
4 risk assumption capacity of the risk carrier and entering
5 the capacity into the application as available risk
6 assumption capacity. Another preliminary step involves
7 identifying potential customers or cedents having classes of
8 insurance or risks, portions of which the risk carrier is
9 willing to assume under selected terms. The risk carrier
10 then develops proposals to assume selected risks of the
11 potential cedents and posts the proposals on the system such
12 that the proposals are viewable by the cedents through the
13 computer network. The application permits the cedents to
14 electronically submit a proposal directed to or associated
15 with it, as an offer, for acceptance by the risk carrier.
16 The application electronically accepts the offer and sends
17 confirmation of acceptance of the offer to the cedent.

18 Upon acceptance of an offer, the application
19 recalculates the available risk assumption capacity by
20 reducing the available risk assumption capacity by the
21 amount of risk assumed. The application then electronically
22 withdraws from view and availability for submission by the
23 cedents any proposals, the acceptance of which would reduce

1 the available risk assumption capacity below the selected
2 amount.

3 The system is preferably designed such that proposals
4 for a specific cedent are viewable only by that cedent. A
5 specific cedent gains access to its proposals through a
6 secure server using a user identification designation or
7 user ID and password. Each cedent may view a listing of one
8 or more proposals submitted for its consideration. The
9 listing includes a brief summary of important financial
10 terms of the proposal. The cedent may view additional
11 details concerning each proposal, including additional
12 financial terms and wording of contractual terms of the
13 proposal, by selecting a proposal from the listing and then
14 linking to additional pages for the selected proposal.

15 The system also preferably generates a separate listing
16 for each cedent of each of the agreements it has entered
17 into with the risk carrier, resulting from proposals which
18 the cedent submitted through the system and accepted by the
19 risk carrier. The listing of agreements provides a brief
20 summary of important financial terms of the agreement. The
21 cedent may view additional details concerning each
22 agreement, including additional financial terms and the
23 wording of contractual terms of the proposal, by selecting a

1 particular agreement from the listing and then linking to
2 additional pages for the selected agreement.

3 The listing of agreements is automatically updated upon
4 acceptance of an offer by the carrier. More specifically,
5 upon acceptance of an offer by the application, the data
6 relating to a proposal is removed from the listing of
7 proposals and added to the listing of agreements.

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9 Objects and Advantages of the Invention

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11 The objects of this invention include providing a
12 system and method for efficiently ceding monetary risks,
13 selling insurance capacity or processing insurance
14 contracts; to provide such a system and method which allows
15 a risk carrier to post currently available proposals for
16 insurance coverage on a computer network to allow potential
17 customers or cedents to readily access and view proposed
18 financial and legal terms of currently available coverage;
19 to provide such a system which allows a potential risk
20 cedent to select and electronically submit a proposal as an
21 offer for acceptance by the risk carrier; to provide such a
22 system and method which allows the risk carrier to
23 electronically accept such an offer; to provide such a

1 system which recalculates the risk carrier's available
2 capacity upon acceptance of an offer to decrement the
3 capacity accordingly; to provide such a system which removes
4 from accessibility or view any proposals whose acceptance
5 would exceed the then available capacity; to provide such a
6 system which will notify the cedent upon submission of a
7 proposal as to whether the offer is accepted or not; to
8 provide such a system which allows the cedents to view the
9 insurance agreements currently in force between it and the
10 risk carrier; and to provide such a system which provides
11 participating cedents secure access to view only those
12 proposals specifically developed for it and to submit as
13 offers only those proposals developed for it.

14 Other objects and advantages of this invention will
15 become apparent from the following description taken in
16 conjunction with the accompanying drawings wherein are set
17 forth, by way of illustration and example, certain
18 embodiments of this invention.

19 The drawings constitute a part of this specification
20 and include exemplary embodiments of the present invention
21 and illustrate various objects and features thereof.

1 Brief Description of the Drawings

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3 Fig. 1 is a block diagram illustrating an interactive
4 system for use in practicing the method of the present
5 invention including a system server.

6 Fig. 2 is a user specific entry page generated by the
7 system server and viewable by a user of the interactive
8 system providing links to other pages.

9 Fig. 3 is a user specific Proposals page generated by
10 the system server and providing a listing of proposals
11 available to the user with a specific proposal selected.

12 Fig. 4 is a user specific Agreements page generated by
13 the system server and providing a listing of existing
14 agreements for reinsurance.

15 Fig. 5 is a Proposal Details page generated by the
16 system server and corresponding to the proposal selected in
17 Fig. 3.

18 Fig. 6 is a Submit Proposal page generated by the
19 system server for use in submitting the proposal selected.

20 Fig. 7 is a Acceptance Confirmation page generated by
21 the server to confirm acceptance of the proposal submitted.

22 Fig. 8a is revised Proposals page generated after
23 acceptance of the proposal selected in Fig. 3.

1 Fig. 8b is an alternative version of the revised
2 Proposals page generated after acceptance of the proposal
3 selected in Fig. 3.

4 Fig. 9 is a revised Agreements page generated after
5 acceptance of the proposal selected in Fig. 3.

6 Fig. 10 is a flow chart of the steps of the interactive
7 system and method of entering into contracts for the
8 assumption of risks.

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10 Detailed Description of the Invention

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12 As required, detailed embodiments of the present
13 invention are disclosed herein; however, it is to be
14 understood that the disclosed embodiments are merely
15 exemplary of the invention, which may be embodied in various
16 forms. Therefore, specific details disclosed herein are not
17 to be interpreted as limiting, but merely as a basis for the
18 claims and as a representative basis for teaching one
19 skilled in the art to variously employ the present invention
20 in virtually any appropriately detailed system.

21 Referring to the drawings in more detail, Figure 1 is
22 illustrative of an interactive system or computer network 1
23 for use in carrying out the methodology of the present

1 invention for marketing and selling insurance and in
2 particular reinsurance. Although the network 1 shown and
3 described utilizes the internet, it is to be understood that
4 the methodology of the present invention could be practiced
5 utilizing other computer or communications networks.

6 The preferred embodiment is described with reference to
7 sales of OLW (original loss warranty) type reinsurance.

8 However, it is to be understood that the methodology and
9 system of the present invention can be utilized to sell
10 other forms of reinsurance or insurance and in general for
11 entering into agreements to assume risks of others.

12 The network 1 is preferably conventional for internet
13 applications and includes a database 5, an application
14 server 6, a web server 7 and a firewall 8 which are
15 selectively accessible through the internet 9 from computers
16 10 of end users. As used herein the database 5, the
17 application server 6, web server 7, firewall 8 and software
18 run thereon to store, provide access to and manipulate data
19 stored in the database 5 or on the servers 6 and 7 and 8,
20 may collectively be referred to as a server or system server
21 15. The system server 15 is generally assembled, operated,
22 maintained and connected to the internet 9 by or under the
23 authority of a reinsurer.

1 The end users comprise existing and/or potential
2 clients or customers of a reinsurer or their brokers,
3 representatives or agents. The customers may also be
4 referred to as cedents or primary insurers. The customers
5 use web browsers on their computers 10 to connect to the
6 system server. The system server 15 responds to requests
7 and commands received from the end user's browser, to
8 generate pages responsive thereto as part of the methodology
9 of the present invention.

10 Implementation of the interactive system and method
11 requires some preliminary steps which do not necessarily
12 occur sequentially, may occur simultaneously or may occur
13 intermittently over an extended period of time. At an early
14 stage of the process, the reinsurer must determine its
15 overall capacity or the monetary value of risks that it can
16 assume. A reinsurer's capacity is typically calculated on
17 an annual basis just prior to the time for negotiating new
18 or renewing old contracts. The reinsurer must also
19 determine what types or classes of reinsurance it intends to
20 sell utilizing the interactive system 1 and what portion of
21 its overall capacity it wants to allocate to each type or
22 class of reinsurance.

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1 In another preliminary step, the reinsurer solicits and
2 enrolls or selects cedents, or their representatives, to
3 utilize the interactive system to purchase reinsurance from
4 the reinsurer. The reinsurer sets up separate data records,
5 accounts or files for each primary insurer or user in the
6 system server 15. Upon enrolling a user to utilize the
7 interactive system 1, the reinsurer provides the user with a
8 unique user identification designation (User ID) and a
9 password to provide the user secure access to selected
10 information in the system server 15.

11 The reinsurer prepares or formulates proposals
12 comprising the financial and legal terms of reinsurance
13 contracts it is willing to enter into in the classes of
14 reinsurance it intends to sell through the interactive
15 system 1. The reinsurer will typically utilize established
16 contract language for the proposals and vary the financial
17 terms depending on then current market conditions and its
18 current capacity. The proposals are input into or posted on
19 the system server 15 so as to be viewable by end users on
20 their computers 10 as discussed in more detail below. The
21 terms of the proposals may be modified at appropriate
22 intervals, such as to modify the proposal language in

1 response to changes in the law or to clarify certain
2 provisions of the proposals.

3 The reinsurer must determine which proposals it wants
4 to make available to which cedents. For example, the
5 reinsurer may have two separate proposals to provide
6 reinsurance for aviation insurance portfolios and ten
7 different selected primary insurers who have aviation
8 insurance portfolios. The reinsurer may decide to make a
9 first aviation proposal available to all ten of the primary
10 insurers and a second aviation proposal available to only
11 six of the primary insurers.

12 The decision on which cedents to make available certain
13 proposals will depend in large part on underwriting
14 considerations and an understanding of the cedents'
15 business. As part of the preliminary steps, the reinsurer
16 evaluates insurance portfolios of each of the selected
17 primary insurers or cedents for which it is considering
18 making available reinsurance capacity. An insurance
19 portfolio generally refers to all of the insurance policies
20 issued by an insurer which fall within a specific class of
21 business. More specifically, an insurer's insurance
22 portfolio may refer to all of the insurance policies issued
23 by an insurer which fall within the criteria for the type of

1 insurance for which the reinsurer is willing to make
2 available a proposal for reinsurance. As an example, for
3 OLW coverage for worldwide aviation lines, an insurer's
4 portfolio would be all of its aviation policies providing
5 worldwide coverage which are in force during the proposed
6 term of reinsurance coverage.

7 Based on the underwriting or evaluation of the
8 insurance portfolios, as well as other business
9 considerations, the reinsurer will determine which proposals
10 to make available to which cedents. The proposals are
11 entered into the system server 15, and the system server 15
12 is programmed to associate each of the proposals with
13 selected cedents, as determined by the reinsurer.

14 The reinsurer also determines a capacity which is
15 allocated to each type of proposal. For example, if the
16 reinsurer allocates ten million dollars in risk assumption
17 for the first aviation proposal and the covered amount or
18 risk of loss for each of the first aviation policies is two
19 million dollars, the reinsurer only has the capacity to
20 enter into five contracts based on the first aviation
21 proposal. This capacity may be referred to as a per
22 occurrence capacity.

1 The reinsurer also determines a capacity for each
 2 cedent which may be referred to as a cedent capacity. The
 3 cedent capacity generally comprises the maximum risk of loss
 4 the reinsurer is willing to assume from a particular cedent.
 5 The cedent capacity will vary by cedent. Values for the per
 6 occurrence capacities and the cedent capacities are entered
 7 into the system server 15 and collectively may be referred
 8 to as the allocated capacity. The available allocated
 9 capacity generally refers to the amount of allocated
 10 capacity which remains available at any given time and which
 11 the reinsurer or risk carrier has not yet utilized through
 12 entering into an agreement with a cedent.

13 Once the preliminary steps are completed, the users are
 14 notified that the system 1 is available for use.
 15 Alternatively, the selected users could be notified that the
 16 system 1 will be available for use on a predetermined date
 17 by which the reinsurer will have completed the preliminary
 18 steps. Most of the preliminary steps will be repeated on an
 19 annual basis. Each year the reinsurer will determine
 20 whether to enroll the same or additional users, recalculate
 21 its capacity, determine what proposals to make available to
 22 the various cedents, determine how to allocate its per

1 occurrence capacity and cedent capacity, and reinitialize
2 those values in the system server.

3 To access the proposals on the system 1, a user or
4 cedent, connects to a login page (not shown) generated by
5 the system server 15. Following prompts, the user enters
6 its User ID and password and clicks on a login button or
7 enter button to access pages containing a information on
8 proposals being made available to it and to access pages on
9 reinsurance contracts it has already entered into with the
10 reinsurer. Upon clicking the login button, a user specific
11 entry page 18 (See Fig. 2) is generated for view by the
12 user. The entry page 18 includes a button bar 19 with
13 buttons to link to other pages including a Proposals button
14 20 to link to a user specific Proposals page 21 (See Fig. 3)
15 and an Agreements button 22 to link to a user specific
16 agreements page 23 (See Fig. 4). As will be discussed in
17 more detail below, the Proposals page 21 includes a listing
18 of proposals which are currently available for
19 consideration, and the Agreements page 23 provides a similar
20 listing of reinsurance agreements which the parties have
21 entered into and are in force.

22 Buttons are also provided on the button bar 19 of the
23 entry page 18 to link to non-user specific pages (not shown)

1 including a Home page for the Reinsurer, a Contact Us page
2 providing information to contact the Reinsurer and e-mail
3 links for the Reinsurer, a Terms and Conditions page
4 providing the terms and conditions of use of the interactive
5 system 1, a Help page providing information to assist in use
6 of the interactive system 1 and a Logout page. In a
7 preferred embodiment, the users enter into a written
8 agreement with the reinsurer covering use of the interactive
9 system 1 before the system is made available to the user for
10 use.

11 Clicking, selecting or pushing on the Proposals button
12 20 causes the server 15 to generate the user specific
13 Proposals page 21. An exemplary Proposals page 21 for user
14 XYZ, Inc. is shown in Figure 3. The Proposals page 21
15 provides a listing 28 of each of the proposals currently
16 available for consideration by the specific cedent which, in
17 the example shown, is XYZ, Inc. The listing 28 is generally
18 presented in a table format, with each row 30 summarizing
19 the main terms of each separate proposal. Listing 28, in
20 Fig. 3, includes five proposals in rows 30a-e.

21 The first column 31 of each row includes a selection
22 button or icon 32 over which a cursor can be positioned and
23 clicked or activated to select the proposal as summarized in

1 that row 30. As indicated in Fig. 3, by the dot 33, the
2 proposal corresponding to the first or upper row 30a has
3 been selected.

4 Specific information or terms concerning each proposal
5 are provided in remaining columns 35 under the appropriate
6 headings, including the "Class of Business" or line of
7 insurance, the original loss warranty amount or "OLW" in
8 millions of dollars, the reinsurance amount or "Limit
9 Upfront", the "ROL Upfront" or rate on line which is used to
10 calculate the premium, the "Cover Basis", the beginning date
11 ("Term from") and ending date ("Term to") of the policy
12 term, the "Territory", the "Reinstatement" rate and the
13 event "Coverage".

14 A Details button 36 and a Refresh button 37 are also
15 provided on the Proposals page 21. Clicking on the Refresh
16 button 37 reloads the user specific Proposals page 21 to
17 permit the user to verify that all of the proposals listed
18 remain available and have not been withdrawn from
19 consideration as will be discussed in more detail below.
20 Clicking on the Details button 36, after selecting a
21 proposal by clicking on the corresponding selection button
22 32, causes the server 15 to generate Proposal Details pages
23 40 as generally shown in Fig. 5. The Proposals page 21 may

1 include additional information including instructions on how
2 to select a proposal and link to the Proposal Details pages
3 40 for each proposal, instructions on how to submit a
4 proposal as an offer for acceptance, or instructions on
5 contacting the reinsurer if no proposals are listed as being
6 available or if the user has additional questions concerning
7 use of the system 1.

8 Fig. 5 shows a first page 41 of the Proposal Details
9 pages 40 corresponding to the proposal shown as selected in
10 Figure 3. The page 41 includes a partial listing 43 of the
11 terms of the selected proposal corresponding to the terms as
12 shown on the Proposals page 21. Additional terms may also
13 be included in this listing 43. For example, listing 43
14 includes a term generally referred to as the "Priority" for
15 the proposal which relates to the liability of the reinsurer
16 if and when the loss paid by the cedent for the loss exceeds
17 the Priority amount. Other terms may be listed elsewhere on
18 the page 41 including when payment is due.

19 A variable coverage box 45 is provided on page 41, in
20 association with the heading for Limit Upfront, to allow the
21 user to vary the Limit Upfront or coverage amount. In
22 particular, by clicking on the drop down arrow or icon 46, a
23 drop down box (not shown) appears providing alternative

1 coverage amounts in decreasing value. For example, the
2 values shown in the drop down box for selection box 45 could
3 range in descending order in one million dollar increments
4 from six million dollars to one million dollars. To select
5 a different value for the Limit Upfront, the user, places
6 the curser on the selected amount and clicks on that amount,
7 which will then appear in the selection box 45 and the drop
8 down box will disappear. The default value in the selection
9 box 45 is the maximum amount of coverage available through
10 the proposal.

11 The first page 41 (Fig. 5) of the Proposal Details
12 pages 40 also provides a Yes/No selection box 48 for the
13 user to indicate whether a broker will be involved in the
14 sale and if so a broker identification box 49 is provided to
15 allow the user to fill in the name and address of the broker
16 or other requested information. A Your Reference box 50 is
17 provided for the user to fill in a reference number or code
18 selected by the user to identify the proposal or resulting
19 transaction.

20 At the bottom of page 41 a listing 54 of headings for
21 applicable contractual clauses for the proposal is provided.
22 The listing 54 carries over to additional pages of the
23 Proposal Details pages 40 (or additional portions of the

1 first page 41) which are not shown. A Wording button 55 is
2 positioned adjacent each heading in the listing 54 of
3 applicable clauses. The user clicks on the Wording buttons
4 55 to generate additional pages (not shown) including the
5 full text of the selected clause. Any of the pages
6 generated by the server may be printed by the user on a
7 printer associated with the user's computer 10.

8 The first page 41 of the Proposal Details pages 40 also
9 includes a Next button 60 and a Cancel button 61. Selecting
10 or pressing the Cancel button 61 cancels any of the changes
11 made to the Proposal Details page 40 in boxes 46, 48, 49 or
12 50, and returns the user to the Proposals page 21.

13 Instructions 63 are provided on the first page 41 of
14 the Proposal Details page 40 instructing a user on how to
15 submit a proposal for acceptance. The instructions 63
16 generally instruct the user to enter data where requested
17 and to click on the Next button 60 to submit the proposal
18 corresponding to the information presented on the Proposal
19 Details page 40. Clicking on the Next button 60 causes the
20 system server 15 to generate a corresponding Submit Proposal
21 page 65 as generally shown in Fig. 6.

22 The Submit Proposal page 65 includes a listing 68 of
23 the basic terms of the proposal, including data entered by

1 the user. For example, the Limit Upfront shown on the
2 Submit Proposal page 65 corresponds to the Limit Upfront
3 selected by the user on the Proposal Details page 40. Other
4 data entered in the Proposal Details page 40 is also
5 displayed on the Submit Proposal page 65 including whether a
6 broker will be involved, and if so, the broker's name and
7 address, and the users reference code. The Submit Proposal
8 page 65 provides the user a final opportunity to review the
9 basic terms of the proposal prior to submission for
10 acceptance.

11 The Submit Proposal page 65 also includes a submit
12 button 71, a back button 72 and a cancel button 73.
13 Clicking on the cancel button 73, returns the user to the
14 Proposals page 21 and cancels any of the changes made to the
15 Proposal Details page 40 in boxes 46, 48, 49 or 50.
16 Clicking on the back button 72 returns the user to the
17 corresponding Proposal Details page 40. The user may elect
18 to return to the Proposal Details page 40 to change data
19 entries or confirm wording of some of the clauses of the
20 proposal. Instructions 75 are also provided on the Submit
21 Proposal page 65 instructing the user to review the basic or
22 general terms and then click the submit button 71 if the
23 user wants to submit the proposal for acceptance.

1 When the user clicks on the submit button 71, the
2 system server 15 generates an acceptance confirmation page
3 78 (See Fig. 7) if the proposal was still available at the
4 time of submission. It is possible that a proposal could be
5 withdrawn from availability to a user while viewing the
6 Submit Proposal page 65. When the user then clicks on the
7 submit button 71, the user will receive an error message.
8 The error message may indicate that the proposal is no
9 longer available for acceptance or may simply instruct the
10 user to call the reinsurer to determine why an error message
11 was received. Such an error message may be a page (not
12 shown) which include a button to return the user to the
13 Proposals page 21 or other pages.

14 The acceptance confirmation page 78 includes a message
15 79 indicating the proposal has been accepted and the
16 contract closed. The acceptance confirmation page 78
17 provides a reinsurer reference number 80 which is assigned
18 to the policy or contract by the system server 15 upon
19 acceptance. Page 78 also includes a Print Premium Closing
20 button 82, a Print Covernote button 83, a Proposals button
21 84, an Agreements button 85 and a Logout button 86.

22 Clicking on the Print Covernote button 83 provides the
23 ceding company with the opportunity to print a copy of the

1 contract or policy corresponding to the accepted proposal on
2 a printer associated with the users computer 10. Clicking
3 on the Print Premium Closing button 82 provides the ceding
4 company with the opportunity to print a billing document for
5 the policy or contract indicating the amount of the premium
6 and indicating when it is due. The system server calculates
7 the premium upon submission of a proposal. In the example
8 shown, the premium is calculated by multiplying the selected
9 coverage amount (Limit Upfront) by the listed rate or
10 percentage identified as ROL Upfront.

11 Clicking on the Proposals button 84 regenerates the
12 Proposals page 21. Clicking on the Agreements button 85
13 generates or regenerates the agreements page 23, and
14 clicking on the Logout button 86 logs the user out of the
15 user specific pages, and returns the user to the login page
16 (not shown) or the Reinsurer's home page (not shown).

17 In addition to generating the acceptance confirmation
18 page 78, clicking the submit button 71 on the Submit
19 Proposal page 65, causes the system server 15 to perform
20 several other functions. Before describing these functions,
21 an overview of the agreements page 23 will be helpful.

22 The Agreements page 23 (See Fig. 4) provides a listing

1 88 of each of the reinsurance agreements the specific user
2 or insurer (in this example XYZ, Inc.) has entered into with
3 the reinsurer. The listing 88 is generally presented in a
4 table format, with each row 90 summarizing the basic terms
5 of each separate agreement. Listing 88, in Fig. 4, includes
6 four agreements in rows 90a-d.

7 The first column 91 of each row includes a selection
8 button or icon 92 which can be clicked on to select the
9 agreement as summarized in that row 90. Specific
10 information or terms concerning each proposal are provided
11 in remaining columns 95 under the appropriate headings,
12 including the "Class of Business" or line of insurance, the
13 original loss warranty or "OLW" amount in millions of
14 dollars, the reinsurance amount or "Limit Upfront," the "ROL
15 Upfront" or rate on line upfront used in calculating the
16 premium, the "Cover Basis", the beginning date ("Term from")
17 and ending date ("Term to") of the policy term, the
18 "Territory", the "Reinstatement" rate and the event
19 "Coverage". Additional columns could be added to include
20 the reinsurer's and/or the user's reference number.

21 A Details button 96 is also provided on the Agreements
22 page 23. Clicking on the Details button 96, after selecting
23 an agreement by clicking on the corresponding selection

1 Submit Proposal page 65 (Fig. 6), the system server 15
2 withdraws or disassociates the relevant information for the
3 selected proposal from the proposals listing 28 (row 30a in
4 Fig. 3) and adds or associates the relevant information with
5 the agreements listing 88. Figures 8a and 8b show the
6 proposals page 21 as it appears after submission and
7 acceptance of the proposal shown selected in Figure 3. The
8 selected proposal from Figure 3 (row 30a), does not appear
9 in the listing 28 in Figures 8a and 8b. The absence of rows
10 30c and 30d in Figure 8a and the decrease in the maximum
11 value of the Limits Upfront in rows 30c and 30d of Figure 8b
12 will be discussed below.

13 Figure 9 shows the Agreements page 23 as it appears
14 after submission and acceptance of the proposal (row 30a)
15 shown selected in Figure 3. The resulting agreement has
16 been added to the listing 88 and appears as row 90e in Fig
17 9. If for any reason, problems are encountered in receiving
18 the Acceptance Confirmation page 78 (Fig. 7), the user can
19 confirm whether submission of a proposal has been accepted
20 by viewing the Agreements page 23 to verify that the
21 resulting agreement appears in the listing 88 thereon.

22 Essentially simultaneously with generation of the
23 Acceptance Confirmation page 78 and transfer or

1 reassociation of the data associated with the accepted
2 proposal to the agreements page 23, the system server 15
3 recalculates the available allocated capacity. As noted
4 previously, the allocated capacity comprises the cedent
5 capacity for each of the cedents and the per occurrence
6 capacity. The available allocated capacity is recalculated
7 by reducing the values associated therewith in the system
8 server by the amount of capacity extended or utilized by the
9 proposal. The system server 15 then withdraws from
10 availability any proposals whose acceptance would reduce the
11 available allocated capacity below a selected amount. The
12 selected amount is generally zero.

13 For example and referring to Figure 3, assume the
14 cedent capacity of XYZ, Inc. is eight million dollars
15 (\$8,000,000) and the selected amount below which the cedent
16 capacity cannot be reduced is zero. Acceptance of the
17 selected proposal in row 30a, with coverage in the amount of
18 six million dollars (\$6,000,000), will reduce the available
19 cedent capacity of XYZ, Inc. to two million dollars
20 (\$2,000,000). The maximum value of coverage in the
21 proposals in rows 30b and 30e, of Fig. 2, do not exceed the
22 new cedent capacity of two million dollars. Therefore the
23 proposals in rows 30b and 30e will not be withdrawn from

1 availability and will be included in the Proposals page 21
2 generated after acceptance of the proposal in row 30a.

3 The maximum value of coverage in the proposals in rows
4 30c and 30d in Figure 3 exceeds the currently available
5 cedent capacity of two million dollars. The system server
6 15 can be programmed to withdraw from availability to a
7 cedent any proposal whose maximum value of coverage exceeds
8 the then available cedent capacity. With the system 15 so
9 programmed, upon acceptance of the proposal in row 30a, the
10 proposals in rows 30c and 30d (each providing a maximum
11 coverage of four million dollars) would be withdrawn from
12 availability to cedent XYZ, Inc. and the Proposals page 21
13 generated thereafter would appear as shown in Figure 8a.

14 It is foreseen that the system server 15 could be
15 programmed to reduce the maximum value of coverage of any
16 remaining proposals for the cedent to the then available
17 cedent capacity. With the system 15 so programmed, upon
18 acceptance of the proposal in row 30a, the maximum value of
19 coverage (Limit Upfront) for the proposals in rows 30c and
20 30d would each be reduced to two million dollars, and the
21 Proposals page 21 generated thereafter would appear as shown
22 in Figure 8b.

1 For purposes of explaining the operation of the system
2 server 15 in withdrawing from availability proposals whose
3 acceptance would exceed the per occurrence capacity, assume
4 the initial capacity allocated by the reinsurer to aviation
5 proposals equivalent to the proposal shown in row 30a of
6 Figure 3, is thirty million dollars. The value for the
7 available per occurrence capacity entered into the system
8 server 15 for that proposal could be the number 5, to
9 correspond to the maximum number of such aviation proposals
10 the reinsurer can accept (based upon the maximum amount of
11 coverage available for each proposal). Upon acceptance of
12 such an aviation proposal, the value for the available per
13 occurrence capacity would be reduced by one. If the same
14 aviation proposal was initially made available to 10
15 cedents, once five accepted this proposal, the proposal
16 would be withdrawn from availability from the remaining five
17 and would not appear on their respective Proposals page 21.
18 It should be noted that the proposal may have been
19 previously withdrawn from availability from one of the
20 remaining five cedents if acceptance of the proposal by that
21 cedent would reduce that cedent's then available cedent
22 capacity below the selected amount.

1 The value of the available per occurrence capacity, in
2 the example provided, could also be initialized at thirty
3 million dollars with this value being reduced each time a
4 proposal is submitted and accepted by the maximum value of
5 the Limit Upfront, or six million dollars. Again, once five
6 such proposals are accepted, any remaining proposals will be
7 withdrawn from availability.

8 It is also foreseen that with the value of the
9 available per occurrence capacity initialized at thirty
10 million dollars, the available per occurrence capacity would
11 be reduced by the selected value of coverage or limit
12 upfront upon the acceptance of each submitted proposal. In
13 such an application, the system server could be programmed
14 to reduce the maximum value of coverage of any remaining
15 proposals to the value of the recalculated or the then
16 available per occurrence capacity, if the maximum value of
17 the coverage would otherwise exceed the then available per
18 occurrence capacity. Continuing with the example above, if
19 proposals were accepted from three cedents submitting the
20 aviation proposal of row 30a with the maximum Limit Upfront
21 of six million dollars and from two cedents submitting the
22 same aviation proposal but with a reduced Limit Upfront of
23 four million dollars each, the system server 15 would then

1 reduce the maximum value of the coverage of any of the
2 remaining aviation proposals (like row 30a) to four million
3 dollars. Upon acceptance of one or more additional aviation
4 proposals whose combined coverage amount equals four million
5 dollars, any remaining aviation proposals corresponding to
6 the proposal of row 30a are withdrawn from availability.

7 It is to be understood that the programming logic
8 utilized in determining the value of the available allocated
9 capacity and whether acceptance of additional proposals
10 would reduce the available allocated capacity below a
11 selected amount could be varied. For example, using the
12 example above relating to cedent capacity, the server 15
13 could be programmed to set or establish a value for a
14 cedent's maximum capacity at ten million dollars. A value
15 for a utilized capacity could initially be set at zero.
16 Upon acceptance of a proposal utilizing five million dollars
17 in capacity for the cedent, the value of the utilized
18 capacity would be increased to five million dollars. The
19 server would then withdraw from availability any proposals
20 whose acceptance would increase the utilized capacity above
21 the maximum capacity.

22 It is to be understood that the steps of setting a
23 value for a cedent's maximum capacity and setting an initial

1 value for a utilized capacity (i.e. at zero) is the same as
2 or equivalent to initializing or establishing on the server
3 a value for an available risk assumption capacity. It is
4 also to be understood that the step of increasing the
5 utilized capacity upon acceptance of a proposal is the same
6 as or equivalent to recalculating the available risk
7 assumption capacity upon acceptance of an offer. Further,
8 it is to be understood that the step of withdrawing from
9 availability any proposals whose acceptance would increase
10 the utilized capacity above the maximum capacity is the same
11 as or the equivalent to the step of withdrawing from
12 availability any proposals whose acceptance would reduce the
13 available risk assumption capacity, as recalculated, below a
14 selected amount.

15 The available capacity generally refers to the maximum
16 capacity less the utilized capacity. The selected amount
17 below which the available capacity cannot be reduced is
18 typically zero. In determining whether acceptance of a
19 proposal would increase the utilized capacity above the
20 maximum capacity, the program must first subtract the
21 utilized capacity from the maximum capacity which is the
22 same as recalculating the available capacity which would
23 result from acceptance of the proposal. Determining whether

1 the increase in the utilized capacity will result in a value
2 which exceeds the maximum capacity is the same as
3 determining whether the corresponding reduction in the value
4 of the available capacity will reduce that value below the
5 selected value, zero.

6 It is to be understood that as used herein reference to
7 the step of withdrawing a proposal from availability should
8 be interpreted broadly enough to incorporate the step of
9 reducing the maximum value of coverage for any one proposal
10 at least to the then current value for available capacity,
11 including either cedent capacity or per occurrence capacity.

12 In the system and method as described with reference to
13 the sales of original loss warranty type reinsurance, the
14 method is generally utilized on an annual basis. The
15 reinsurer calculates and allocates its capacity on an annual
16 basis and reinitializes values for the per occurrence and
17 cedent capacities in the system server 15 at the beginning
18 of every year. Once a cedent's allocated cedent capacity is
19 utilized, the cedent cannot purchase additional reinsurance
20 through the system until the next year. Once the per
21 occurrence capacity for a particular proposal is utilized,
22 no additional policies for that proposal can be sold until
23 the following year.

1 However, it is to be understood that the system server
2 15 could be programmed to permit the reinsurer to
3 reinitialize the values for the available allocated
4 capacities at any time. It is foreseeable, that the system
5 could be utilized to increase or decrease the available
6 allocated capacity at any time (if regulations would permit)
7 depending on various factors including the reinsurer's and
8 cedents' changing financial conditions. The system server
9 15 could be programmed to automatically make available upon
10 an increase in available allocated capacity of proposals
11 which were previously withdrawn or new proposals added to
12 the system.

13 Figure 10 comprises a flow chart summarizing the main
14 steps of the present invention. Block 108 corresponds to
15 the step of identifying and enrolling potential customers or
16 cedents to utilize the interactive system 1. Block 110
17 corresponds to the step of formulating or developing risk
18 assumption proposals, which can occur simultaneously with or
19 even before the step of identifying and enrolling potential
20 customers as shown in block 108. Block 112 corresponds to
21 the step of posting on a secure server proposals which are
22 to be made available to selected cedents. Risk capacity is

1 allocated to the proposals and the cedents as shown by block
2 114 and initialized on the server.

3 Block 116 corresponds to the step of selecting and
4 electronically submitting a proposal by a cedent utilizing
5 the interactive system 1. Generation of an electronic
6 acceptance confirmation message by the system server 15 upon
7 submission of a proposal is shown by Block 118. Upon
8 acceptance of a proposal, the data associated with the
9 accepted proposal is transferred to or included in a list of
10 agreements as indicated by block 120. Simultaneously
11 therewith, the system server recalculates the allocated risk
12 capacity as shown by block 122. The server 15 then
13 determines whether the required capacity of any remaining
14 proposals exceeds the allocated risk capacity as
15 recalculated, as represented by the decision block 124. The
16 remaining proposals whose required capacity exceeds the
17 allocated risk capacity are electronically withdrawn from
18 availability as shown by block 126. The steps of the method
19 are then repeated from the point where proposals are
20 submitted by cedents as represented by block 116.

21 It is to be understood that while certain forms of the
22 present invention have been illustrated and described

- 1 herein, it is not to be limited to the specific forms or
- 2 arrangement of steps described and shown.

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